

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Complaint of the

Continuity Shippers Association

Regarding Charges for the
Bulk Parcel Return Service

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Docket No.

C99-4

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COMPLAINT CONCERNING CHARGES AND PRACTICES APPLIED TO
ANCILLARY SERVICES FOR STANDARD (A) MERCHANDISE MAIL

June 8, 1999

Copies of all documents in this proceeding
should be served upon:

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Counsel for Continuity Shippers Association

Coleman W. Hoyt
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Executive Director of the Continuity Shippers Association

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Complaint Concerning Charges and Practices Applied to
Ancillary Services for Standard (A) Merchandise Mail

Under the Domestic Mail Classification Schedule (DMCS) and the Domestic Mail Manual (DMM), merchandise which has been ordered by consumers but is undeliverable as addressed will be returned by the Postal Service to the sender upon payment by the mailer of vastly different rates depending upon the merchandise sent, even though the costs are the same. The Continuity Shippers Association (CSA), which represents affected mailers, contends that the rate charged for returns under the Bulk Parcel Return Service (BPRS), is excessive and cannot be reconciled with the cost and non-cost criteria of the Act and that the BPRS service offered by the Postal Service to Standard (A) merchandise mailers does not conform to the policies set out in Title 39.

Jurisdictional Matters

1. The Commission has jurisdiction to entertain this complaint pursuant to 39 U.S.C. 53662. That section provides that "interested parties" who maintain that the Postal Service is "charging rates which do not conform to the policies" of Title 39 may seek relief from the Commission. In prior decisions, the Commission has noted that issues affecting ancillary services for (what is now)

Standard (A) mail are appropriate for consideration in complaint proceedings. Decision in Docket 87-1 at 699 n.9 (March 1988).

2. CSA has standing as an "interested party" to initiate this complaint. CSA represents the interests of Standard (A) mailers. Its membership includes those who use, have used in the past, and will use the BPRS service that is the subject of this complaint.

Background

3. This Complaint relates to the return service provided by the Postal Service for merchandise mail pieces (weighing less than one pound) that are mailed at bulk Standard (A) rates and that are returnable to the mailers at the BPRS rate. The Complaint does not address the terms and conditions or rates applicable to merchandise shipped and returned at any other rates, except for purposes of comparison with pieces that are eligible for return at Special Standard (B) rates, formerly Special Rate Fourth.

4. Special Standard (B) and Standard (A) pieces share several significant characteristics relevant to this Complaint. Under DMM E613, Special Standard (B) need not weigh more than 16 ounces. In fact, many Special Standard (B) parcels weigh less than one pound and are mailed under Standard (A) rates, but returned under Special Standard (B). In this way, the mailer takes advantage of the lower Standard (A) rates outbound and lower Special Standard (B) rates on the return. Testimony of J. Eggleston, p. 5 n.6, in No. MC99-4.

5. Further, the USPS processes, transports and delivers both Special Standard (B) and Standard (A) parcels in the same manner.

6. Prior to BPRS, all Standard (A) merchandise returns were charged the single piece rate. In the R94-1 rate case, the Standard

(A) single piece rate recommended by the Commission and adopted by the Governors increased the Standard A single piece rate by 64.8% for heavier weight pieces such as merchandise returns. By contrast, on average, rates for all classes increased by approximately 14%.

7. In the **R94-1** rate case, the single piece Standard A rate for the full 16 ounces became \$2.95. The \$2.95 was comprised of \$1.12 of attributable cost and \$1.83 mark up or 263%.

8. In the **R94-1** rate case, the Special Standard (B) single piece (under one pound) rate was set at \$1.24. The \$1.24 was comprised of \$1.12 of attributable cost and \$0.12 mark up or 111%.

9. Thus, as of January 1, 1995, the Standard (A) single piece and Special Standard (B) single piece rates were as follows:

	Rate	Attributable cost	Mark Up	Overhead Allocation
Standard (A)	\$2.95	\$1.12	\$1.83	263%
Special Standard (B)	\$1.24	\$1.12	\$0.11	111%

A summary comparing the rates from 1995 to the present is Exhibit 1.

10. Despite many promises and false starts, the USPS finally addressed the Standard (A) single piece rate error from the **R94-1** rate case as it applied to merchandise returns. After over 1000 days from the implementation of that rate error, the USPS created the Bulk Parcel Return Service (**BPRS**) which became effective on October 12, 1997. The BPRS rate was \$1.75. For purposes of establishing the rate of \$1.75, the USPS used the Special Standard (B) cost of \$1.12 as a proxy for the attributable cost. Thus, BPRS had \$1.12 of attributable cost (the same as Special Standard (B) single piece), and \$0.63 in mark up or 156%. Testimony of H. Pham in No. **MC97-4**.

11. As of October 1997, the BPRS and Special Standard (B) single piece rates were as follows:

	Rate	Attributable cost	Mark Up	Overhead Allocation
BPRS	\$1.75	\$1.12	\$0.63	156%
Special Standard (B)	\$1.24	\$1.12	\$0.11	111%

12. In the original BPRS proceedings (MC97-4), the USPS agreed to conduct a cost study to determine the actual costs for BPRS and report to this Commission by October 1998.

13. In the R97-1 rate case, the Special Standard (B) single piece rate recommended by the Commission and adopted by the Governors decreased from \$1.24 to \$1.13. The \$1.13 was comprised of \$1.07 in attributable costs and \$0.06 in mark up or 106%. The R97-1 rate case did not change the BPRS rate of \$1.75. The rates from R97-1 became effective on January 10, 1999.

14. On October 29, 1998, the USPS submitted the BPRS cost study as it had agreed to do. The BPRS cost study showed that BPRS had an attributable cost of \$0.93 per piece. With the rate of \$1.75 and attributable costs of \$0.93, the mark up is \$0.82 or 188%.¹

¹ In or around January 1999, the USPS verbally stated that its BPRS cost study was incorrect. The USPS asserted they had used an incorrect methodology for determining the attributable cost. The USPS further claimed that using the correct methodology would yield an attributable cost of \$1.07 (which is the same as Special Standard (B) costs from the R97-1 rate case). Despite requests, the USPS has not produced any documentation on this revision. With the rate of \$1.75 and attributable costs of \$1.07, the mark up would be \$0.68 or 164%.

15. Thus, as of June 1999, the BPRS and Special Standard (B) single piece rates are as follows:

	Rate	Attributable cost	Mark Up	Overhead Allocation
BPRS	\$1.75	\$1.07	\$0.82	188%
Special Standard (B)	\$1.13	\$1.07	\$0.06	106%

16. A 188% mark up cannot be justified and does not comport to the stricture of the Act. The difference in rates and overhead allocation are so great that they cannot be justified.

Contentions

17. On its face, the imposition of rates for merchandise return service that are so vastly divergent where the costs are the same cannot be reconciled with Section 3622(b)(3). That Section requires that each type of mail bear only the direct and indirect postal costs attributable to that type, plus a reasonable allocation of institutional overheads.

18. The rates charged and service offered for BPRS are not "fair and equitable" in contravention of Section 3622(b) (1) and 3623(c) (1). Mailers have suffered and continue to suffer serious economic harm as a result of the failure of the Postal Service to correct this inequity.

Relief Requested


19. For the foregoing reasons, the Continuity Shippers Association requests the following relief:

(a) The Commission should determine that this Complaint is well founded;

(b) The Commission should institute proceedings dedicated to the matters that are the subject of this Complaint in conformance with Subpart E of its Rules, Practices and Procedures, pursuant to an expedited hearing schedule;

(c) Following such proceedings, the Commission should issue a Recommended Decision to the Board of Governors of the Postal Service recommending the establishment of rates for BPRS that properly reflect the costs of this Service and the value of the Service to the sender and recipient, and that otherwise accord with the policies and purposes of the Act.

Respectfully Submitted,



Aaron Horowitz
200 Corporate Woods Parkway
Vernon Hills, IL 60061-3167
(847) 913-3360

Attorney for the Continuity
Shippers Association

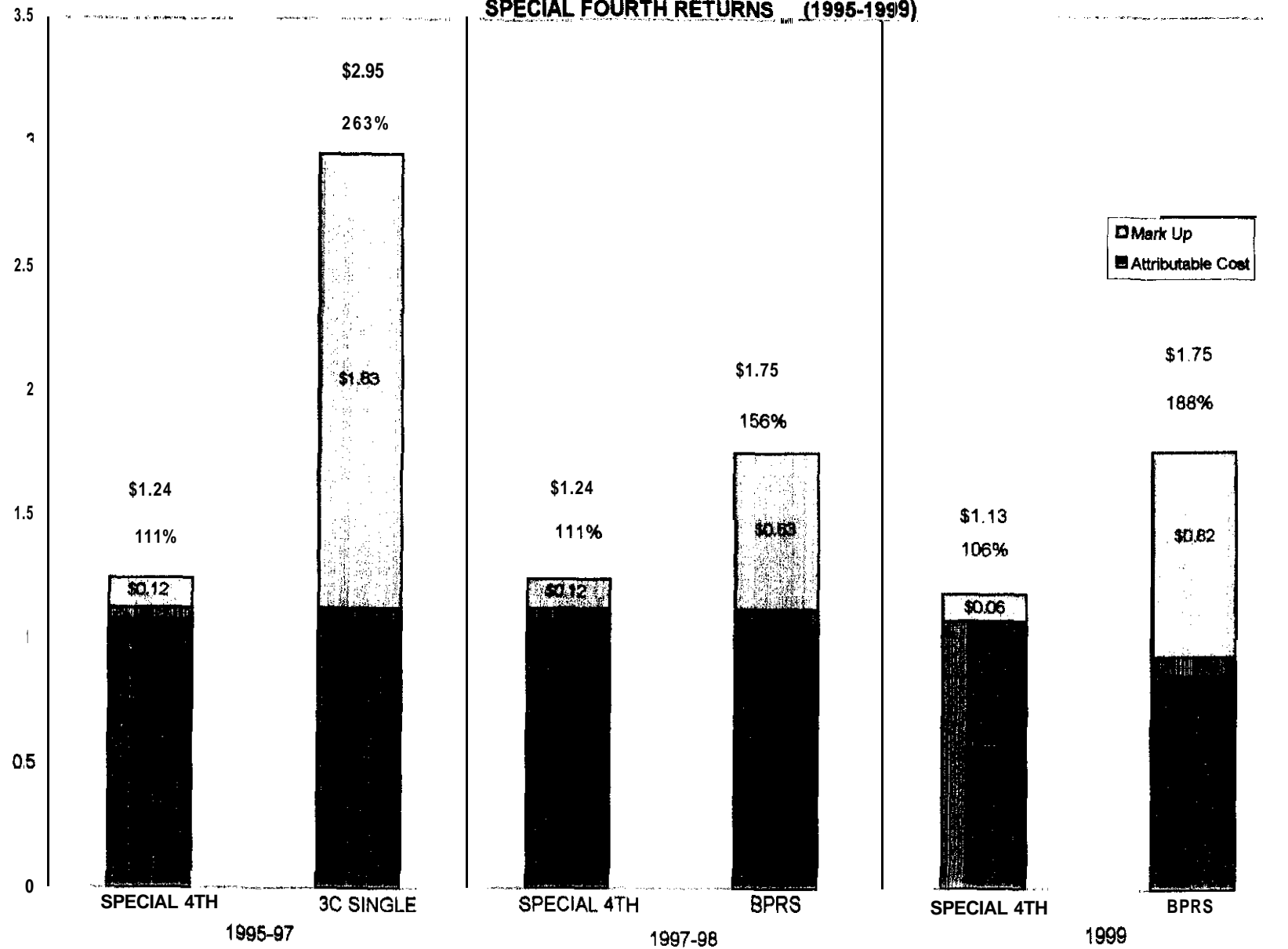
Dated: June 8, 1999

Copies to:

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Attorney for the Continuity Shippers Association

Coleman W. Hoyt
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Executive Director of the Continuity Shippers Association

**ATTRIBUTABLE COST AND MARK UP FOR
STD(A) SINGLE PIECE /BPRS AND
SPECIAL FOURTH RETURNS (1995-1999)**



LIBRARY REFERENCES

1. Testimony of Jennifer Eggleston of the United States Postal Service in Docket No. MC99-4.
2. Testimony of Hein Pham on behalf of the United States Postal Service in Docket No. MC97-4.
3. Postal Rate Commission Decision and Recommendation in R94-1.
4. Postal Rate Commission Decision and Recommendation in MC97-4.
5. Postal Rate Commission Decision and Recommendation in R97-1.
6. Bulk Parcel Return Service Cost Study from the United States Postal Service dated October 29, 1998.

CERTIFICATE OF SERVICE

This will certify that the foregoing Complaint was served, by
Express Mail, on the following:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking
United States Postal Service
475 L'Enfant Plaza West, S.W.
Washington, DC 20260-1145

Dated: June 8, 1999


Aaron Horowitz